

2014 CDBG APPLICATION

Over-The-Counter (OTC) Activity – Project Inquiry and Review – Instructions

As stated in the NOFA, the Over-The-Counter (OTC) Project application is a separate document. It is not part of the 2013 CDBG NOFA Application Packages. Projects funded under the OTC activity are processed on a first come first served basis.

If an eligible jurisdiction has a project that could be eligible for OTC funding, then the OTC Project inquiry form at the end of this section may be completed and submitted electronically to a CDBG Economic Development (ED) representative to start the review process. The full application can be accessed at the CDBG web page on the Department's web site: www.hcd.ca.gov. The OTC Project review is done in three stages:

1. INITIAL INQUIRY

The first stage is the initial inquiry stage. This is done via a telephone call project review process. If possible, a site visit to the business or face-to-face meeting with the project owner is arranged. If, after several conference calls and review of initial project proposal, the Department, Applicant and project development team believe that CDBG funding is able to support the project, then an invitation to submit a pre-application will be sent to the Applicant.

2. PRE-APPLICATION

The pre-application will be comprehensive, requiring all information for Department recommendation to approve the project to the Internal Loan Committee (ILC). The pre-application will contain a great deal of confidential information (i.e., credit reports and tax returns). Because of the need for confidential information and the public nature of the CDBG funds, the pre-application will be divided into two sections: 1) one for public information; and, 2) one for confidential information. Once the pre-application has been reviewed, all necessary information is reviewed and determined to be financially viable, and all CDBG requirements are verified, then the Department will provide a formal written Invitation to Apply for OTC funds.

3. FINAL APPLICATION

The final application submitted by the jurisdiction will be all the information in the pre-application, plus any updated or extra information requested in the Invitation for Final OTC. The Applicant will fully complete the CDBG Application Summary pages with all certifications. Any necessary public hearings that need to be held for application approval will be conducted (typically two public hearings are required). A formal resolution to apply for OTC funds will be passed by the Applicant's governing body and be included in the final application along with the

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Application Summary section and all pre-application information. Upon receipt of the final application, Department staff will review and confirm that a “complete” OTC application has been received. If the application is not considered complete, then additional information will be requested from the Applicant until it is deemed a complete application.

Note: *See Important Considerations for OTC Projects Listed Below.*

IMPORTANT CONSIDERATIONS

- *OTC Projects are processed on a first come first served basis with no competitive rating and ranking. See NOFA for application period.*
- *OTC Projects typically take six (6) months or longer to move through the review and approval process. The more complex the project, the longer the review time.*
- *OTC Projects are each unique. This application provides a general “framework” for review of projects; however, each project will require different sets of specific information.*
- *OTC Projects are underwritten using normal commercial lending standards AND “cash flow” analysis (focus on market and sales information to document ability of project to generate cash to pay for jobs) AND HUD underwriting standards.*
- *OTC Projects will be required to use Department standard Excel financial spreadsheets for project review.*
- *OTC Projects are reviewed by the Department’s Internal Loan Committee (ILC) prior to Department approval.*
- *OTC Projects require a CDBG professional underwriting consultant, typically outside of Applicant. Consultant must be knowledgeable in commercial project underwriting standards and CDBG underwriting/cash flow analysis.*
- *OTC funds cannot be used as “venture capital” or for other speculative/high risk project proposals. It is best to use OTC funds to assist a business that is doing well and is ready to expand, but needs some “non-traditional” commercial funding.*